

ASPECTS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AND THE IAS GOVERNING IN GLOBAL CONTEXT

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Abstract: The International Financial Reporting Standards (IFRS) represents a set of accounting standards, issued by the International Accounting Standards Board (IASB). Many of the standards belonging to the IFRS are commonly known under the name "international accounting standards". The present paper approaches aspects regarding both the IASB governing and the international accounting standards, focusing on the regulations, resolutions reports and working documents of the European Commission and the Council of Europe, regarding the evolution of the governing for the International Accounting Standards (IAS).

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1. POINT OF VIEWS OF THE EUROPEAN PARLIAMENT ON IFRS AND IASB GOVERNANCE

The European Parliament resolution from the 24th of April 2008 regarding the International Financial Reporting Standards (IFRS) and the Governance of International Accounting Standards had to take into consideration its resolution of the 4th of July 2006 on recent developments and prospects in relation to company law, the first report of the Commission to the European Securities Committee (ESC) the European Parliament on convergence between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) of certain third countries, Commission Staff Working Paper on governance developments Standards Board International Accounting Standards Board (IASB) and the Foundation of the International Accounting Standards Committee (IASCF) on July 2007; the Council conclusions from the 10th of July 2007 on governance and funding of the IASB and of the 11th of July 2006 regarding the financing of the International Accounting Standards Board. To all these were added: ECB report of 19 December 2006, entitled "Assessment of accounting standards from a financial stability perspective" and letter European Financial Reporting Advisory Group (EFRAG) to the IASB on the draft financial reporting standard for companies Small and Medium Enterprises (IFRS for SMEs); letters dated 3rd of October 2007 from the President of the Economic and Monetary Affairs Committee in response to the U.S. Securities and Exchange Commission (SEC), the Commission and committee chairs in Congress Correspondent Member United, the Commission's statement, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and the SEC dated 7th of November 2007 on work building IASCF governance, SEC decision of 21 December 2007 on IFRS for foreign issuers , the Fourth Council Directive

78/660/EEC of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies (3) and the Seventh Council Directive 83 / 349/CEE of 13th of June 1983 based on Article 54 (3) (g) of the Treaty on consolidated accounts (4) (Fourth and Seventh Company Law Directive), Article 45 of its Rules of Procedure and Report Committee on Economic and Monetary Affairs and the Committee on Legal Affairs (A6-0032/2008).

The IFRS concept was created in order to achieve true financial reporting standards worldwide for publicly traded companies, and from January 2005, public offering listed EU companies have the obligation to apply international accounting standards in preparing financial statements strengthened. Moreover, by Regulation (EC) no. 1606/2002 IASCF / IASB was raised, in fact, at the rank of the legislative entity.

The European Parliament, in its resolution from the 4th of July 2006, expressed its point of view regarding the trade that society right saying that promoting (or encouraging) the voluntary use of IFRS is not without risks; it also considers that if some Member States choose to apply the SME IFRS sites in the final version adopted by the IASB, this would lead to fragmentation of the internal market and could even damage accounting for SMEs across the EU; also it stressed that the IASB has not received any political mandate to develop IFRS for SMEs and found that the endorsement procedure applies only to international accounting standards and interpretations for publicly traded companies; also, stated that the approval procedure should not be used to recognize IFRS for SMEs.

European Parliament, under the new conditions, proposed to assess first whether EU SMEs benefit from a standard developed by the IASB and noted that, in general, the IASB considers to be an entity laying standards in the interest of investors in the capital market and recognized that "the findings" confirm that the IASB SME requirements are different from those for capital market investors; now they wonder if there is an appropriate balance in IASB SMEs and acknowledges though that may be a request from other regions of the world, to develop a standard for SMEs and proposed to make a more accurate assessment of these claims, pointing out that this is without prejudice to acceptance by after an EU standard.

As the European Union, from the adoption of IFRS, accumulated knowledge and experience that is used when discussing the further development of the IASCF / IASB, whereas jurisdictions that have abandoned their own accounting standards convergence processes initiated not only have the same expertise or experience.

The European Union must evolve from a reactive to a proactive relationship with the IASCF / IASB. Mainly due to risky mortgage crisis ("subprime"), it emphasizes the issues of accounting standards, in particular, the notions of 'fair value' and 'market' for financial stability.

The transparent and accountable international organizations must firmly convinced that global accounting standards should be developed also should take note that the IASCF is a private self-regulatory body which was cast by the legislator in the European Union under Regulation (EC) no. 1606/2002, acknowledges some concerns that the IASCF / IASB may lack transparency and accountability, due to the fact that they are not under the control of any democratically elected government and EU institutions have established consultation procedures and practices and democratic decision that normally regulate their own legislative processes and appreciates, however, that the IASCF and IASB have sought to remedy these deficiencies, among other things, biannual meetings, at which the IASCF reviews the IASB, impact assessments for new standards and by introducing a formalized feedback statements for comments received from public consultations.

In the absence of satisfactory solutions for issues regarding the establishment and oversight of the IASCF / IASB it should be launched a debate on the conditions for integrating the IASCF / IASB into the system of international governance, such as the International Monetary Fund, Organization for Economic Cooperation and Development and World Bank.

In the new context, it is absolutely necessary that international standard-setting entities have more representatives in the composition of the European experience, legitimate a truly international approach and meet the need for a balanced weight that is European Union, which constitutes far the largest economic area, with most companies applying IFRS. Also, all members of the boards of directors / trustees of the IASCF / IASB should come from the countries that joined or intend to join and support the introduction of IFRS a provision for a balanced geographical representation in the composition of the IASCF, as proposed by the authorized representatives.

So the theoretical dimension of IASB projects is becoming more and more pronounced and is already so complex and theoretical, that small and medium enterprises companies (SMEs), especially, does not always follow them. Furthermore, it is observed that practical business aspects are not adequately reflected by the IASB considers that, from a user perspective, it is important that the financial statement presentation for accounting to allow its use for other purposes, such as providing financial information investors, performance monitoring and financial management.

The European Parliament supports an open and ongoing debate on accounting standards, in this respect; it considers that the IASB should enhance consultation process with stakeholders so that the views of all IFRS users and investors are taken into account. But also believes that governance and accountability must be improved by the following measures: a) creating a public oversight body involving all public stakeholders IASCF / IASB, including in particular, legislators and supervisors, allowing the creation of a representative market actors, including preparers and users from jurisdictions where IFRS are required to submit annual governing bodies of the IASCF / IASB on the operation of international accounting standard, b) such an oversight body could be responsible for selecting and appointment of trustees in a transparent procedure to ensure the skills of the candidates and a balanced geographical representation of all stakeholders, it would make more transparent appointment process and would significantly increase the legitimacy of agents, c) guarantees that composition of the IASB Standards Advisory Council (SAC) and the Committee on International Financial Reporting Interpretations and that trustees ensure that the appointment process is transparent and takes due account of the interests of different stakeholders, d) increasing the involvement of trustees in supervising the IASB and its work plan, especially on how to develop a work plan and allocation of seats IASB e) guarantees the IASCF constitution, that the IASB develops accounting solutions that are not only technically correct but also reflect what is necessary and possible in terms of all users (investors and supervisors) and financial statements f) impact assessments for all projects to analyze the costs and benefits (including user firms) of draft texts and, in particular, to highlight the implications for financial stability.

The EU Commission seeks to impose solutions in a situation where, for better effectiveness and legitimacy, open consultation process and debate, the progress which aims this resolution also recommended that measures to improve accountability and governance of the IASCF / IASB must not create excessive bureaucracy and ensure that technical issues are not unnecessarily politicized also considers that, before embarking on the development of a standard, the IASB must take into account the needs and relevant

information to users (auditors, investors and supervisors) consider that they require urges IASB to carry out impact studies among all stakeholders before adopting a new standard, given the diversity and market structures; welcomes the announcement of the IASCF trustees that they include in their 2007 annual report of subsequent implementation and feedback statements and calls for the development and modification of accounting standard should be allowed only if it is established that is clearly necessary and useful and having been made thorough preliminary consultation process and considers that, in this area, the Commission's right of initiative should be combined with an appropriate prior consultation.

The European Council agrees that the measures adopted to improve the governance structure of the IASB must be applied as an appropriate work plan, it is in his opinion that the same is true for the measures proposed by the European Parliament. In this respect considers that Parliament should be seriously consulted in good time on working and project management in prioritizing and defining new standards; calls in this context, consulting the European Parliament on this issue, early stage.

The Funding structure of the IASCF / IASB currently based in a large extent on voluntary contributions, among others, from the part of companies and audit firms, raises issues; it calls, in this context IASB and IASCF to examine how can be changed funding system so as to ensure, *firstly*, that all user groups to finance properly, *secondly*, that reach a conflict of interest between donors and users, and *third*, there is universal access to accounting standards; asks the Commission to examine whether and under what conditions can contribute to financing.

Also it considers that a transparent and stable funding for the IASB and IASCF is of a crucial importance; it requires the Commission to consider whether and how they can reach a uniform EU funding method.

2. . APPLICATION OF IFRS IN THE EUROPEAN UNION

It is essential that the European Union to speak more consistently in order to ensure that exert maximum influence at all stages of development, interpretation and application of accounting standards.

The important contribution of IFRS is due to the facilitation of comparison of financial statements across countries, between competitors in the same sector and between different sectors. Moreover, the IFRS advantages, that not only regard the technical aspects of accounting, but also bring benefits to capital markets and the European Union as a global leader.

The consistent application of IFRS in the European Union did not answer not to expectations regarding the ability to clearly express the views and interests of the EU. IFRS success depends on consistency in the adoption and implementation thereof, but here it is principles-based standards and therefore, consistency should not be pursued at the expense of professional assessment.

In the Community endorsement international standards involving multiple actors and the Commission receives input from them, whose powers are clearly overlap, so this overlap offers potential to increase efficiency and transparency.

The community has the opportunity to make their views known (Accounting Regulatory Committee or EFRAG), which allows it to interact on an equal level with states that have structures based on the centralized regulation and control (e.g., Committee standards of financial accounting and SEC in the USA, the Accounting Standards Board and the financial Services Agency in Japan).

We must specify that a simplified structure of the EU, that has to take into consideration national accounting structures could, especially if, as appropriate, would abolish certain entities, help to simplify and thereby strengthen the role they should play EU globally. In this respect the Commission must prepare and submit a proposal, in consultation with Parliament, Member States and the Committee of European Securities Market (CESR), to create a structure at EU level, which is an internationally legitimate interlocutor to ensure uniform interpretation and application of rules.

We believe that it would be detrimental EU listed companies that would use parts other than IFRS ultimately must therefore pay particular attention to at least the following aspects: a) the IASB (IASB conceptual basis for the work) is necessary in this context that the financial statements may not be prepared only for capital market investors, but also for many other players, such as creditors, employees, government, owners and customers, b) IAS / IFRS branding (presentation financial statements), it is necessary for the IASB to provide solutions that take into account the needs of the various jurisdictions which have made IFRS mandatory; c) IAS 32 and IAS 39: calls on the IASB to IAS 32 include a definition of "own funds" to allow all types of businesses, especially cooperative societies and partnerships, to declare capital provided by shareholders as equity in the balance sheet and to adopt a solution for hedge accounting based on actual risk management practices of banks d) combinations enterprises (accounting for acquisition of another business) necessarily impugn the IASB solutions regarding the scope of the fair value principle e) fair value measurement and considers that the IASB should base its decision on the results of the consultations and taking into account the likely consequences of such a process limit the scope of the fair value principle;) f) service concessions (agreements under which an entity concessionaire, under a contract with a concession, usually a government receives a right and incurs an obligation to provide public services) involves finding balanced solutions and g) performance reporting (and presentation of all recognized changes in assets and liabilities from transactions or other events except those related to transactions with owners) also absolutely necessary to find balanced solutions.

It was found that the application of fair value can be costly for companies and can lead to unrealistic valuations, i.e. in the absence of actual markets assessment, the principle of fair value may not be indicative of the true value of companies, also believes that must bear in mind that the principle of fair value does not always realistic valuations of assets and liabilities.

Regarding the potential links between IFRS and taxation, development, enforcement and interpretation of these standards could have a huge impact on Member States. Practice, developed from the start of the **Committee on Economic and Monetary Affairs**, which held a hearing once a year the President IASB and IASCF informal meetings with members and calls for future presidents IASB and IASCF to report to Parliament annually on all relevant issues.

U.E. supports the IASB to improve the existing standards, while making continual adjustments, even minor ones, can generate significant costs and determine costly changes in large companies, any changes should take place only after a cost-benefit analysis, which is necessary.

3. IFRS FOR SMES

Draft IFRS for SMEs, IASB determined to carry out a wide consultation and field studies. Results from such consultations and field studies are given more attention than has been the exposure draft IFRS for SMEs. This is necessary if the European Union to

consider IFRS for SMEs or adopting EU standards for SMEs to convergence with IFRS for SMEs.

We must say that among SMEs is widespread opinion that IFRS proposed by the IASB is far too complicated for them and, in addition, many referred to the full IFRS.

They believe that the Obligations regarding Appendices are too wide and that the burden in relation to the requirement to provide information is disproportionate to any benefit that would result. The project was designed with SMEs in mind the relatively large (over fifty Employees) and notes that most of them are smaller in size. Such SMEs is more concerned about the outlook change by the IASB Standards every two years. However it could be a useful option for larger SMEs that transition developed, stressed but that should not be forced to step towards harmonization.

As regards the annual accounts of SMEs in the European Union, the legal framework is the Fourth and Seventh Company Law Directive and that the question how the IFRS for SMEs, IASB proposed that fourth and seventh Directives on company law could provide the basis for accounting requirements for SMEs in the EU, including partnerships.

The European Union considers that it should carefully weigh the benefits of committing to an IFRS for SMEs or developing its own independent and comprehensive solution for SMEs; it considers, moreover, that any such solution would integrate into community IFRS conceptual framework without requiring SMEs to use full IFRS.

The accounting requirements for SMEs in the EU must meet user needs. In this context requires a reparse detailed user needs. In these circumstances the Commission should continue activities simplification of company law, accounting and auditing for SMEs through relevant legislation, particularly in light of the Fourth and Seventh Company Law Directive.

We must specify that accounting rules have a great influence on commercial law in its entirety and a new IFRS for SMEs will have significant effects on them, in particular, will have a considerable impact on national legislation on business taxation. An IFRS for SMEs, based on the principle of "fair value" is opposed to the principle of capital maintenance dominant in other jurisdictions and is not always (in terms of tax) interests of SMEs.

An IFRS for SMEs should take into account that in the EU there are different types of businesses (such as partnerships and cooperatives) and therefore such IFRS must contain a clear definition of "own funds" to into account the special needs of SMEs.

Mention that the draft IFRS for SMEs does not take adequate account of the fact that the addressees of SMEs accounting are mainly shareholders, creditors, business partners and employees rather than anonymous investors, as in the case of public companies, and that these recipients are rather interested in establishing a long term business relationship rather than a short-term investment. In this case, the Commission initiated a consultation on the detailed regulatory framework in the EU accounting for SMEs in the same way as ordinary legislative proposals and withdrew its commitment to implementing and adopting an IFRS for SMEs sites, thus preventing parallel application of standards in the European Union before the end of the EU internal procedure. Commission considered whether to reduce the administrative burden for SMEs in accounting and auditing. Therefore recognizes that there is a general need for simplification of accounting and auditing measures for SMEs, while recalling that SMEs create jobs and economic growth.

4. THE ROADMAP FOR CONVERGENCE AND EQUIVALENCE WITHIN IFRS

We must specify that the ultimate goal of all international stakeholders is adopting IFRS. In this activity there is tension between the intention of achieving maximum convergence and the desire to preserve the full European Union to deviate from the consensus that can be achieved worldwide. Deviations from existing standards worldwide must be limited to the minimum necessary both in the EU and in other parts of the world. In this case third countries should deal with the European Union as a whole and not treat the 27 Member States differently, and ongoing processes of convergence with existing systems can only be accepted as intermediate stages.

The importance and desirability of the establishment of global standards and convergence and global accounting standards occurs in an ever-increasing pace.

The EU supports the idea of convergence and equivalence as convergence with the standards of third countries should be based on a prior assessment of the merits and impact of such a change for preparers and users of financial statements in the EU, particularly for SMEs, and invites IASB to consider this in its actions.

The working on convergence are advancing and it is seen this risk to consider in this process especially economic status and law frameworks for companies in large third countries, while EU frameworks play a lesser role. In these debates the SEC submitted a proposal on 20 June 2007 the financial statements of foreign issuers without the need for reconciliation, to the extent that they were prepared based on the English version of IFRS adopted by the IASB. In this case the goal is to take over IFRS in EU law and must be recognized by the SEC.

In this case there has been progress in the Roadmap for EU-US accounts and the recent announcement of the SEC to allow foreign private issuers to present financial statements in accordance with IFRS, not U.S. GAAP adapt to and support approach outlined by the Commission in its letter to the SEC on September 26, 2007.

We recall that the European Union to require all listed companies to use IFRS in their consolidated financial statements from the beginning of 2005 contributed greatly to increasing interest in global IFRS.

The U.S. President, the President in function of the European Council and European Commission President signed on the 30th April, 2007 a Joint EU-US Summit Declaration, which contains the following on the financial information issue: "The financial markets. Promoting and creating conditions for recognizing the accounting principles generally accepted by U.S. and international standards for financial reporting in both jurisdictions without the need for reconciliation by 2009 or possible sooner. "

It must be noted that the powers of different jurisdictions applying IFRS in the establishment of a definitive interpretation thereof, which entails the risk of conflicting interpretations, we point out that European authorities and courts only have jurisdiction to give a definitive interpretation of specific EU IFRS. On this issue the Commission must ensure that this remains the case, the Commission, together with Member States and Parliament should develop a system to ensure that IFRS is interpreted and applied uniformly throughout the European Union.

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